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Glasgow Corporation Tramways.

A PAPER

READ BEFORE

THE GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY,

On THURSDAY, JANUARY 26th 1905,

BY

Mr. JAMES DALRYMPLE, C.A.

LONDON:
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GLASGOW CORPORATION TRAMWAYS

BY

MR. JAMES DALRYMPLE, G.A.

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GLASGOW CORPORATION TRAMWAYS.

By Mr. JAMES DALRYMPLE, C.A.

The following paper was read at a meeting of the Glasgow Chartered Accountants Students' Society on the 26th January, Mr. John Mann, Junr., C.A., Hon. Vice-President, in the chair. There was a good attendance of members, and the lecture was illustrated by limelight views.

I presume that you wish me to look at this subject to-night purely from an accountant's point of view? I shall, consequently, endeavour to give you as clear an impression as possible of the history of the Corporation Tramways, and of its present financial position. It is well that you should have some knowledge of the financial obligations of the various departments of the Corporation, as these are, year by year, becoming more onerous. The business of the city is becoming so extensive that it is now almost impossible even for a member of the Corporation, who may be devoting a great part of his time and thought to the work, to have a thorough grasp of the business in all its departments.

I think you, as accountants, are quite able to take the published Reports and Balance Sheets and form your own opinion as to the position of this or that department of municipal enterprise.

You are also able to look at the figures purely as accountants, and not simply as municipalists or anti-municipalists. I take it that we are not here to-night to discuss whether the Corporation acted wisely or unwisely in taking up the tramway business, but that I have simply to place before you a plain statement of facts.

The first point to note is: How did the Corporation of Glasgow come to be the owners of the tramway system?

because you must remember that the Corporation, when they took over the working of the tramways in 1894, had not to purchase the lines as many other Corporations had to do. The lines were at that time, and had always been, the property of the city.

In 1870 two rival companies sought powers from Parliament to make tramways in Glasgow. In the previous year, I think, tramways were first introduced into this country Each of these companies was asking powers to lay lines on the same streets. The Corporation opposed both schemes. Eventually, both proposals were merged into one complete scheme, and the Corporation withdrew their opposition on getting a clause inserted in the Bill to the effect that they should be at liberty within six months from the passing of the Bill to say whether they themselves were prepared to take over the Act and exercise the powers therein contained. The Corporation within the prescribed period did decide to put themselves in the place of the promoters, and, consequently, the powers under the Glasgow Street Tramways Act, 1870, passed into the hands of the Corporation, the arrangement being that the Corporation were to make the lines, and lease them to a company for 23 years from 1st July 1871. The new company, which was then formed, was registered as the Glasgow Tramways and Omnibus Company, Lim.

That is, shortly, how the Corporation became the *owners* of the tramways.

The next point is, How did the Corporation get the powers to *work* the tramways as a department of municipal enterprise? Parliament had never given a municipality powers to work tramways if a company could be got to do the work. For some time there was a doubt as to whether the Corporation of Glasgow had the powers. The opinion of counsel was, however, taken, and it was agreed that, inasmuch as the Act of 1870, previously referred to, gave the promoters not only power to *make*, but also powers to *work*, and as the Corporation had taken over the *whole* powers contained in

that Act, they (the Corporation) had consequently also the power to *work*. Therefore, on the expiry of the lease with the Glasgow Tramway and Omnibus Company in 1894, the Corporation had not to ask Parliamentary powers to operate the lines as other Corporations had subsequently to do, but had simply to step into the shoes of the former lessees.

Since the passing of the original Act of 1870, which empowered the Corporation to construct thirteen miles of line, measured as single track, powers have been obtained by numerous Acts for extensions of the system. The following statement gives the length of tramway authorised or constructed under each of the Tramway Acts:—

Acts of Parliament under which Tramway Lines have been Constructed or Authorised.

Date of Act.		Single Track. Miles	Fur.	Chains
1870	.. ..	13	0	1·91
1872	.. ..	2	3	1·00
1875	.. ..	16	3	7·09
1871 } 1877 }	Govan	5	3	1·64
		2	0	1·73
1879	.. ..	16	6	3·54
1885	.. ..	8	4	6·36
1893	.. ..	12	2	1·68
1894	.. ..	0	6	7·55
1897	.. ..	2	6	5·63
1899	.. ..	34	5	3·09
1901	.. ..	21	5	1·09
1901	(Clydebank)	5	3	7·50
1903	.. ..	4	6	4·59
1904	.. ..	9	4	9·70
	Total	156	6	4·10

We are this year consolidating the whole of the Tramway Acts under the Provisional Order, 1905. By this Order we are seeking powers for further extensions of the system both inside and outside the city boundaries. These extensions measure 41¼ miles of single track. If these are all passed,

our whole system will extend to 198 miles of single track. No other tramway system in this country has anything approaching this mileage of line.

Our original borrowing powers were obtained by the Act of 1872. In that year power was obtained to borrow £200,000 to make the original lines sanctioned by the Act of 1870, and one or two further extensions. In each of the 1875, 1879, and 1885 Acts, powers were obtained to borrow £100,000. The total borrowing powers up to that date thus amounted to £500,000. The last line to be opened during the term of the lease with the tramway company was the Springburn line, which was constructed under the powers of the 1885 Act, and was opened for traffic in December 1886.

As I have said, the total borrowing powers obtained up to and including the Act of 1885 amounted to £500,000. The total sum expended by the Corporation on the construction of the 62¾ miles of single line leased to the tramway company was, however, only £344,965 18s. 4d. This sum was expended under several agreements with the company, the terms of which varied considerably. Before giving you the amounts expended under each agreement I shall give you the financial clauses of the original lease with the company, so that you will be able to see wherein the subsequent agreements differed from the original.

The terms of the original agreement were as under:—

(1) Payment of Interest to the Corporation on their Capital Expenditure at the borrowing rate of interest for the time being.

(2) Payment of Sinking Fund at 3 per cent. per annum.

(3) Payment of a Mileage Rate of £150 per mile of street on which tramways are laid within the city.

(4) Payment of 4 per cent. per annum on the Capital Expenditure as a Fund for the renewal of the lines.

(5) Payment of Expenses of borrowing and management.

The above terms only applied to the sum of £223,583 8s. expended under the original agreement. The following statements give you the expenditure under each agreement, and the variation in the terms:—

	£	s	d
I. Expenditure under original Agreement	223,583	8	0
II. Expenditure under Agreement of 1879 (no Sinking Fund or Renewal Fund)	72,533	14	6
III. Expenditure under Agreement of 1881 (Interest payment postponed for four years from date of opening of line)	9,844	4	0
IV. Expenditure on cost of re-laying lines in Tobago Street (Sinking Fund at 5 per cent. per annum) ..	362	11	6
V. Expenditure under Agreement of 1882 (Interest at 4½ per cent. No Sinking Fund or Mileage Rate) ..	4,260	12	4
VI. Expenditure under Agreement of 1885 (Interest at 4 per cent. No Sinking Fund or Renewal Fund)	18,360	16	2
VII. Expenditure under Agreement of 1886 (Interest at 4 per cent. No Sinking Fund, Mileage Rate, or Renewal Fund)	15,917	12	7
VIII. Expenditure on Alterations	102	19	3
Total	£344,965	18	4

I have given you the various sums expended by the Corporation in the construction of the lines under the different agreements. I have also given you the clauses in these agreements regarding the annual payment by the company to the Corporation, and now we will look at the amount of that annual payment. I have taken the last year of the

lease to 31st May 1894, as the payment in that year reached the largest figure. Taking the figures in the same order as before, we have the following :—

	£	s	d
I. Interest on Capital Expenditure ..	12,465	14	8
II. Sinking Fund	6,725	12	6
III. Mileage Rate	3,070	19	10
IV. Renewal Fund	7,456	0	0
V. Management	300	0	0
Total	£30,018	7	0

From the above revenue from the tramway company the Corporation had to meet the following charges :—

	£	s	d
I. Interest	9,876	11	6
II. Sinking Fund	6,725	12	6
III. Renewal of Lines	7,456	0	0
IV. Management	300	0	0
Total	£24,358	4	0
Leaving a net annual free revenue of	5,660	3	0
	£30,018	7	0

The net annual free revenue of the Common Good from the tramways undertaking is at present £25,000.

As I stated before, the total sum expended by the Corporation on Capital Account during the twenty-three years of the lease amounted to £344,965 18s. 4d. The tramway company during these twenty-three years handed over to the city as Sinking Fund the total sum of £139,079 1s. 2d. The Corporation required to accumulate this sum at interest out of their own revenue, and the total of these accumulations amounted at the end of the lease to £62,391 0s. 3d. These two sums, together amounting to £201,470 1s. 5d., were applied in the reduction of the tramway debt of £344,965 18s. 4d., so that the balance of the debt outstanding at the close of the lease was £143,495 16s. 11d. The

tramway lines as they stood at 30th June 1894 were handed over by the Common Good to the tramway department at that figure.

We will now leave the tramway company and proceed with a description of the system as it has been operated since 1894 by the Corporation themselves. First of all, I should mention that the borrowing powers have increased from £500,000 to £2,700,000. The following is a list of all the Acts giving powers to borrow, and the amount sanctioned to be borrowed under each :—

	£	s	d
Act of 1872	200,000	0	0
,, 1875	100,000	0	0
,, 1879	100,000	0	0
,, 1885	100,000	0	0
,, 1891	200,000	0	0
,, 1893	200,000	0	0
,, 1899	500,000	0	0
,, 1901	1,000,000	0	0
,, 1903	200,000	0	0
,, 1904	100,000	0	0
Total	£2,700,000	0	0

By this year's Provisional Order we are asking powers to borrow an additional £500,000. This will bring the grand total up to £3,200,000. This sum has, of course, been reduced through the operation of the Sinking Fund, which, with the amount written off prior to 1894, now amounts to £402,355 6s. 5d. Our net borrowing powers at this date, therefore, amount to £2,297,644 13s. 7d., or, if we include the additional half-million which we are asking this year, £2,797,644 13s. 7d. The annual Sinking Fund is calculated at the rate of 2 per cent. on the gross amount borrowed as at the date of the previous balance. This sum is accumulated at 3 per cent. This Sinking Fund will extinguish the debt in thirty-one years from the date of borrowing.

We will now look for a little at the capital expenditure. The figures I give you are as at the date of our last balance, viz., 31st May 1904. In the following statement I have given you the expenditure under each heading, so that you can see on which parts of the system the money has been expended.

I have made up the statement in three columns. The first column gives the total sums expended on each part of the system since 1872; the second column gives the amounts written-off either by sales or out of revenue as depreciation; and the third column gives the net capital expenditure as it appears in the Balance Sheet for last year.

STATEMENT OF CAPITAL EXPENDITURE to 31st May 1904.

	Gross	Amount written off by Sales or Depreciation	Capital Expenditure as at 31st May 1904
	£	£	£
Permanent Way	796,345	203,156	593,189
Electrical Equipment of Line	550,413	121,540	428,873
Ground	110,142	2,503	107,639
Buildings and Fixtures	432,481	107,432	325,049
Power Station and Sub-Stations Plant	398,377	79,129	319,248
Workshop Tools and Sundry Plant	26,258	14,331	11,927
Electric Cars	376,158	80,496	295,662
Horse Cars	56,948	56,948	—
Horses	150,672	149,394	1,278
Harness	8,322	8,202	120
Uniforms	2,751	1,351	1,400
Office Furniture	3,914	1,624	2,290
Lease of Govan and Ibrox Tramways	4,057	1,046	3,011
Miscellaneous Equipment	19,188	8,468	10,720
Preliminary Expenses	38,190	33,345	4,845
Parliamentary Expenses	15,494	12,865	2,629
	£2,989,710	£881,830	£2,107,880

The amount required for capital purposes is borrowed by the City Chamberlain on the security of the Common Good, including, of course, the tramways undertaking. In 1895 the Corporation wished to put the tramways under the Loans Fund. The opponents of the Bill contended that the object was to put the tramways on the rates, whereas it was simply to do away with an anomaly. The Committee of the House would not agree to the change, and the result is that Glasgow is the only system which has not the rates to fall back upon in the event of the revenue not meeting the expenditure.

Although we have had a capital expenditure amounting in all to £2,989,710, the tramway debt only amounts to £1,830,894. This means that considerable sums of surplus revenue, which have been written-off to meet depreciation and renewals, have been used for capital purposes. These sums have saved us the necessity of borrowing. Indeed, although we have been continually extending, we have borrowed very little for the past three years.

The next point which I should like to touch upon is the collection of the revenue. Our revenue, as you know, is made up for the most part of small change. Last year it was made up as under :—

	£	s	d
Notes	2,281	0	0
Gold	2,381	0	0
Silver	497,423	15	0
Copper	207,632	2	2½
Stamps	17	0	10½
Car Checks	8,141	13	7
	£717,876	11	8

The collection of this money is in the hands of from 1,100 to 1,200 conductors. Each conductor is supplied with a quantity of tickets of each value as may be required for the route on which he may be working. Each conductor is also supplied with a bell bunch. This punch records the number of passengers, which means the number of tickets

he has issued for the day. The barrel of the punch contains all the clippings. The clippings in a certain number of punches are counted every day. This is done in cases where the punch register does not agree with the number of tickets sold, or where a conductor is suspected of dishonesty. Each conductor is also supplied with what we call a Journey Way-bill. On this way-bill are noted the starting numbers of the conductors' working packet of tickets. When he completes each round trip he takes his bag with cash, his working packet of tickets, and way-bill into the branch cash office at the terminus. Here his drawings for the round trip are counted in his presence; his Journey Way-bill is extended, and the total according to the tickets sold brought out. The exact amount of cash handed in is also marked on the way-bill, so that the conductor knows if his cash has balanced.

GLASGOW CORPORATION TRAMWAYS.

Conductor's Name, *R. Clark.* MARYHILL AND TRONGATE. Depôt, *K. Park*

Route No. *34.* Car No. *698.* Date, *27th December 1904.*

Consecutive No. of Cash Bag handed into Office, *35.*

	Conductor's Column		First Numbers		Last Numbers		Sold	
	Ticket No.	Package	Ticket No.	Package	Ticket No.	Package		
½d	9669							s d
1d	7425		9627	U b	89		62	2 7
1½d	4078		7359	P u	54		95	7 11
2d	951		4075	C b	80		5	0 7½
2½d	4541		951	D	52		1	0 2
3d	2324		4541	G				
3½d	4029		2324	C				
4d	8025		4029	S				
			8025	D				
						Total ..		11 3½
						Initials, *J. W.*		11 3½

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GLASGOW CORPORATION TRAMWAYS.

MARYHILL AND TRONGATE. TOTAL WAY BILL.

Route No. *4.* Car No. *718.* Driver, *C. M'Dowall.* Date, *27th Dec. 1904.*

Letter	Quantity Issued to Conductor	Number of Last Package	Number of First Package	First Numbers Returned to Office	Quantity Sold	Fares	Amount
							£ s d
A k	53		1447				
R g	300	3200	3000	3095	148	½d.	0 6 2
N o	678	8900	8322	8643	321	1d.	1 6 9
X c	189	900	811	852	41	1½d.	0 5 1½
T	172	7300	7228	7233	5	2d.	0 0 10
T	44	..	7056	7060	4	2½d.	0 0 10
J	33	..	6767	6777	10	3d.	0 2 6
P	25	..	7875	7876	1	3½d.	0 0 3½
D	99	..	6101	..	..	4d.	
				Total Sold ..	530		£2 2 6
				Punch Register ..	530	Cash paid in.	2 2 6
				Over ..			
				Short ..			

I beg to acknowledge having received the Tickets entered on this Way Bill, together with the Padlock and Key, and Punch No. *622.*

W. Hudson, Conductor.

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The total amount drawn according to these way-bills represents the day's work of each conductor. At the end of the day's work this total is made up on another way bill called the Total Way-bill.

On this way-bill is also marked the number of passengers according to the punch register, the amount of the conductors' shorts or the amount of overs. While this part of the work is being done, the cash is being recounted at the head office and prepared for the bank. By adding the shorts and deducting the overs, the total should agree with the total brought out by the way-bills. These way-bills are abstracted on large sheets. On these sheets are shown the total for each conductor, the total for each car, and the total for each route. These totals again are carried to another sheet called the Daily Traffic Sheet.

Barometer.
Morning 29·70 } Wet and
Evening 29·70 } Mild

GLASGOW CORPORATION TRAMWAYS.

Thermometer. 44° 45°

Last year 40° 45°

Daily Traffic Return for Monday 5th December 1904.

Route	No. of Regular Cars	Miles Run	Average Per Mile	Receipts	Corresponding day last year: Over	Corresponding day last year: Und'r	Remarks
				£ s d			
Botanic Gardens, Oatlands and Rutherglen	21	1,979	10·55	87 1 2½	·20		
Pollokshields and Gilmorehill	13	1,351	9·74	54 16 7	1·95		
Cathcart Battlefield and Botanic Gardens &c. &c.	28	2,605	9·56	103 15 9	..	·01	
	526	48,093	9·76	£1,957 5 6			
Workmen's Cars.							
Stoberossy Ferry and Keppochill Road	2	28	7·53	0 17 7			
Tollcross and Shieldhall	4	61	11·60	2 18 11½			
Oatlands, Partick, Ruglen, and Cambuslang &c. &c.	14	165	10·27	7 1 3			
	166	2,132	10·43	£92 14 7½			
				Add ½			
Totals	526	50,225	9·79	2,050 0 2			
Last year	483	46,370	10·28	1,987 15 3			

At the end of the week the seven Daily Traffic Sheets are again transferred to another sheet called the Weekly Traffic Sheet. The Weekly Traffic Sheet gives exactly the same information for the week as the Daily Traffic Sheet gives for each day.

All this, no doubt, seems very elaborate, and, perhaps to some, unnecessary. I would point out, however, that in a tramway business where you are collecting your revenue in coppers by the hands of hundreds of collectors, and where the margin of profit is so small, it is absolutely necessary to watch the business very closely. Not only is it necessary to ensure by every possible check that the department is receiving all the fares that are collected, but it is necessary to watch the traffic on every route in order to take off a car where it is not required, and put it on where there are people wishing to ride. We have also to thin off the service of cars at particular hours, and bring them out when the streets become busier. All this becomes necessary when you consider that the margin of profit on each passenger is only about the tenth part of a penny, and a halfpenny fare missed by the conductor means that his car may have run that mile at a loss instead of a profit.

You are no doubt aware that the car mile is the unit of comparison in tramway work. On some tramway systems the car hour has also been adopted. In America the car hour has also been adopted as a unit of comparison, but the car mile has not been superseded. In bringing out the total revenue for the day on a particular route, the total mileage that has been run by the cars on that route is also given, and this figure divided into the revenue gives the average earnings per car mile. Thus, if there are 20 cars on a route, and each car runs 100 miles, that means 2,000 car miles on that route for the day. If the total drawings amount to £83 6s. 8d., the average per car mile will work out at 10d. As a general rule, the average earnings are worked out to two, and sometimes to three places of decimals.

Before passing from the revenue, I might say a word on the system of fares that has been adopted in Glasgow. Each route is divided into half-mile stages, the fare for this stage being a halfpenny. The fare for any four halfpenny stages is one penny, and for any six, three halfpence, any eight, two pence, &c. This system gives the passenger the fullest advantage. The average distance which can be travelled at each fare is as under :—

½d.	Fare	..	..	..	·58
1d.	,,	..	..	..	2·30
1½d.	,,	..	..	..	3·48
2d.	,,	..	..	..	4·64
2½d.	,,	..	..	..	5·80
3d.	,,	..	..	..	6·89
3½d.	,,	..	..	..	8·15
4d.	,,	..	..	..	9·09

Last year we carried 188,962,610 passengers, the average fare paid per passenger being ·91d. The average charge per mile is slightly under a halfpenny (·45d.). The following statement gives the number of passengers carried at each fare during the year ending 31st May last, and the revenue derived from each fare.

Fare	Passengers carried		Traffic Receipts	
	Number	Per cent.	Amount	Per cent.
			£ s d	
½d.	57,501,083	30·43	119,793 18 5	16·69
1d.	114,761,110	60·73	478,171 5 10	66·61
1½d.	11,926,754	6·31	74,542 4 3	10·38
2d.	3,051,122	1·62	25,426 0 4	3·54
2½d.	762,539	·40	7,943 2 4	1·11
3d. and upwards	960,002	·51	12,000 0 6	1·67
Sundries	..	..	16 12 6	..
	188,962,610	100·00	£717,893 4 2	100·00

Two years ago I was asked by the Municipal Tramways Association to make a report on a form of Tramway Account which might be adopted by all municipalities owning and

working tramways. I presented this report with a suggested form to the Municipal Tramways Association in July 1903, when the whole question was remitted to a Committee of the Association to co-operate with a Committee of the Institute of Municipal Treasurers and Accountants in the matter After several meetings a form of Income and Expenditure Account, &c., was approved of by the Joint Committee, and this form has now been adopted by the two Associations. It is very likely that nearly all Municipal Tramway Accounts will, at the close of the current financial year, be published in the form now approved of. Tramway accountants in America and also on the Continent, have for several years been working in the same direction, and each continent has adopted its own standard form. Our form does not differ very much from the American, but it differs materially from the Continental form. Of course, it is not possible to make the account of a municipality exactly the same as the account of a public company. The following is our Income and Expenditure Account, Net Revenue Account, and Appropriation Account for last year made up on the standard form. The Income and Expenditure Account only shows the total amount of each of the four Expenditure Accounts, all details being omitted :—

GLASGOW CORPORATION TRAMWAYS.

Dr. REVENUE ACCOUNT for year from 1st June 1903 to 31st May 1904. *Cr.*

Expenditure.	Average per Mile d.	£	s	d
To Traffic Expenses	2·898	195,389	3	7
" General Expenses	1·043	70,780	15	7
" General Repairs and Maintenance ..	·912	61,906	6	0
" Power Expenses	·410	27,843	0	3
" Total Amount of Working Expenses..	5·243	355,919	5	5
" Balance carried to Net Revenue Account	5·411	367,271	6	2
	10·654	£723,190	11	7

Income.	Average per Mile d.	£	s	d
By Traffic Revenue	10·576	717,893	4	2
" Sundry Revenue—				
Dues..	·005	329	16	9
Rents	·020	1,367	10	4
Sale of Electric Energy	·053	3,600	0	4
	10·654	£723,190	11	7

Dr. NET REVENUE ACCOUNT for year from 1st June 1903 to 31st May 1904. *Cr.*

	Average per Mile d.	£	s	d
To Interest on Capital (including Tax:—				
Corporation of Glasgow (Common Good)..	·874	59,307	18	1
" Income Tax on Profits				
" Rent of Leased Lines :—				
Corporation of Govan..	·074	5,068	11	3
" Balance carried to Appropriation Account ..	4·473	303,654	15	5
	5·421	£368,031	4	9

	Average per Mile d.	£	s	d
By Balance from Revenue Account	5·411	367,271	6	2
" Interest on Surplus Revenue	·010	759	18	7
	5·421	£368,031	4	9

Dr. APPROPRIATION ACCOUNT for year from 1st June 1903 to 31st May 1904. *Cr.*

	£ s d		£ s d
To Amounts appropriated for :—		By Net Revenue for year brought down	303,654 15 5
Contributions to Sinking Fund	45,552 17 0		
Repayment of Parliamentary Expenses	12,362 14 2		
Depreciation and Renewals Fund (Annual Charge)..	139,446 14 0		
Do. (Special)	62,000 0 0		
„ Corporation of Glasgow:—			
Payment to Common Good	25,000 0 0		
General Reserve Fund	18,790 10 3		
	£303,654 15 5		£303,654 15 5

The traffic revenue or the receipts from car traffic amounted last year to £717,893 4s. 2d., which was equal to 10·58d. per car mile. The item under the heading "Dues" of £329 16s. 9d., is a sum received from the Fairfield Engineering and Shipbuilding Company for the use of the tramway lines from the railway station to their yard for the conveyance of wagons. We received 2d. per ton on all material taken over our lines. These wagons have hitherto been drawn by horses, but arrangements are being made for doing this work by electric haulage, which will, no doubt, be an advantage to all concerned. The item of "Rents," amounting to £1,367 10s. 4d., is the sum which we receive from several of our old stables which are let, as they were not required when we sold the horses and introduced electric traction. You will notice that we received last year a considerable sum from the Electricity Department of the Corporation for electrical energy. We have at our Pinkston Power Station some surplus plant. The Electricity Department, on the other hand, have for several years been short of plant to cope with what is called the "peak load." This load comes on during the winter months from 4 to 6 o'clock in the afternoon, and we give them a supply of current to meet the extra demand between these hours. The total sum received last year was £4,525 9s. 4d., but we deduct from this sum the works' cost in the generating of this current, and only put into the account the net sum of £3,600 0s. 4d. This method is adopted in order that the expenditure side of the account may not be burdened with items of expenditure which have nothing to do with the operation of the cars.

Turning now to the expenditure side of the account, you will see that the various items of expenditure are grouped under four distinct headings—viz., Traffic Expenses, General Expenses, General Repairs and Maintenance, and Power Expenses. In the standard form the heading "Power Expenses" is placed last because this is the only item of expenditure which is not the same in all under-

takings. It is not possible, for instance, to compare the power expenses in Glasgow with the power expenses in Manchester, because in Glasgow this item only contains the works' cost, whereas in Manchester, where the power is purchased from another department, the price paid includes interest, Sinking Fund, and all fixed charges.

The largest items of expenditure are placed under the heading "Traffic Expenses." Almost the whole of this large sum of £195,389 3s. 7d. is made up of the wages of the traffic staff, the wages of the motormen and conductors alone amounting to about £143,000. Then there are the traffic superintendent's staff, also the timekeepers, ticket inspectors, car cleaners, &c.

The amount included under the heading "General Expenses" also seems large. Of this total of £70,780 15s. 7d. no less than £34,916 9s. 3d. represents the amount of local taxes paid by the department to the various assessing bodies through whose territory the tramway lines are laid. I shall return to the subject of taxation later. Another considerable item under this heading is the sum of £15,896 6s. 8d., being the year's premium on the Third Party Accident Policy. This sum alone is over 2 per cent. on our gross revenue.

The next series of items are grouped under the heading "General Repairs and Maintenance," the total expenditure under this heading amounting to £61,906 6s. Of this sum £16,134 5s. 7d. was expended in the upkeep of the track and roadway, and, as no renewals are included in this sum, this amount was chiefly incurred in keeping the causeway in good condition. I may here state that the Tramways Department require to keep up the entire street between the rails and for eighteen inches beyond the outer rails. This leaves very little of the street to be kept up out of the rates. The other large item under this heading is the sum spent in the maintenance of the cars. This sum amounted last year to no less than £29,954 17s. 11d., or practically £30,000.

I always reckon that it takes about £1 per week on the average to keep a car in good repair, and this sum does not include the cost of cleaning. The following statement will show clearly what it costs to keep the various parts of a car and its equipment in good working condition:—

AMOUNT EXPENDED IN CAR INSPECTION AND MAINTENANCE for year to 31st May 1904.

	At Depôts	At Car Works	Totals	Average per Mile
I.—MAINTENANCE OF CARS.	£	£	£	
Car Body, Dashes, Destination Signs, Stairs, &c. ..	1,041	2,898	3,939	·058
Hand Brake Gear and Shoes	2,347	624	2,971	·044
Life Guards	220	263	483	·007
Truck Frames	730	1,096	1,826	·027
Wheels and Axles	45	4,594	4,639	·069
Repainting and Touching up	..	3,150	3,150	·046
	4,383	12,625	17,008	·251
II.—ELECTRICAL EQUIPMENT OF CARS.				
Electrical Brakes	202	165	367	·005
Trolley Standards, Poles and Wheels	941	742	1,683	·025
Power and Lighting Cables, &c.	1,598	896	2,494	·036
Motor and Gear Cases .	436	434	870	·013
Motor Axle and Armature Bearings	170	472	642	·009
Armatures and Commutators	335	1,054	1,389	·021
Controllers and Switches, &c.	1,905	838	2,743	·040
Miscellaneous	493	232	725	·011
	6,080	4,833	10,913	·160
Extraordinary Expenditure, *less* Credits	232	1,802	2,034	·031
Totals ..	£10,695	£19,260	£29,955	·442

The last item of expenditure is the cost of the power. This figure of £27,843 os. 3d. includes the wages at the power station and sub-stations; the cost of coal, water, oil and waste, also the cost of repairs to power station and sub-stations, buildings and plant. You will notice that the cost of power forms a very small part of our total expenditure.

The total of the items of working expenditure included under the four headings amounts to £355,919 5s. 5d. This sum is almost 50 per cent. of the gross revenue. The balance of £367,271 6s. 2d. is carried to a net Revenue Account.

It is here where I come into conflict with the standard form. In our Glasgow Accounts we have always charged the amounts which we consider necessary to meet renewals and depreciation against gross revenue, thus carrying a smaller balance to Net Revenue Account. In the standard form nothing is charged for renewals or depreciation against the gross revenue. Neither will you find these items charged against net revenue. You will find them in the Appropriation Account. I proposed to meet the Joint Committee on Standardisation half-way, and to have these items taken from net revenue, but this proposal was not agreed to. Under Appropriation Account you will find two other items which, I think, are properly chargeable against net revenue—viz., Sinking Fund, £45,552 17s.; and repayment of Parliamentary Expenses, £12,864 14s. 2d. I give you below the Net Revenue Account and the Appropriation Account as I consider these ought to be stated.

GLASGOW CORPORATION TRAMWAYS.

Dr. NET REVENUE ACCOUNT for year from 1st June 1903 to 31st May 1904. *Cr.*

	Average per mile d.	£ s d		Average per mile d.	£ s d
To Corporation of Govan	·074	5,068 11 3	By Balance from Revenue Accoun	5·411	367,271 6 2
" " Glasgow (Common Good) ..	·874	59,307 18 1	" Interest on Surplus Revenue	·010	759 18 7
" Contributions to Sinking Fund ..	·671	45,552 17 0			
" Repayment of Parliamentary Expenses ..	·189	12,864 14 2			
" Depreciation and Renewal Fund (Annual Charge)	2·054	139,446 14 0			
" Balance, carried to Appropriation Account.	1·559	105,790 10 3			
	5·421	£368,031 4 9		5·421	£368,031 4 9

Dr. APPROPRIATION ACCOUNT for year from 1st June 1903 to 31st May 1904. *Cr.*

	£ s d		£ s d
To Payment to Common Good	25,000 0 0	By Net Revenue for year, brought down	105,790 10 3
" Depreciation and Renewals Fund (Special)	62,000 0 0		
" General Reserve Fund	18,790 10 3		
	£105,790 10 3		£105,790 10 3

The rent which we pay to the Burgh of Govan amounts to £5,068 11s. 3d. This is practically the Interest and Sinking Fund on the amount borrowed by Govan Town Council to purchase the tramways from the Vale of Clyde Tramways Company. We took over the lease of these lines in 1896 from the Glasgow Tramway Company, and when the lines were entirely renewed and equipped for electric traction in 1901 the lease was extended till 1935. Possibly before that time Govan may be part of Glasgow.

The next item of £59,307 18s. 1d. is the interest paid by the tramway department to the Common Good on the balance of the tramway debt, which at 31st May last amounted to £1,830,894 0s. 10d. The rate of interest for the first half-year was £3 4s. 4d. per cent., and for the second half-year £3 3s. per cent. The department repays the Common Good the exact amount of interest paid on the tramway debt.

The Sinking Fund, as I explained previously, is calculated on the gross amount borrowed at the rate of 2 per cent. per annum. As it is an accumulating Sinking Fund, the annual sum to be set aside is gradually increasing, the amount last year being £45,552 17s. Of course, the interest on the debt is gradually decreasing as the debt is wiped out by means of the Sinking Fund.

SINKING FUND.

Year of Borrowing	Gross Amount Borrowed, including Sinking Fund	Total Amount of Sinking Fund and Interest thereon as at 31st May 1903	Year to 31st May 1904		Total Amount of Sinking Fund and Interest thereon as at 31st May 1904 applied in Reduction of Debt
			Interest Added	Sinking Fund	
	£	£ s d	£ s d	£ s d	£ s d
Year to 31st May 1895	527,098	93,134 6 6	2,794 0 7	10,541 19 2	106,470 6 3
1899	9,046	756 18 1	22 14 2	180 18 5	960 10 8
1900	354,000	21,883 11 5	656 10 2	7,080 0 0	29,620 1 7
1901	846,000	34,347 12 0	1,030 8 6	16,920 0 0	52,298 0 6
1902	260,500	5,210 0 0	156 6 0	5,210 0 0	10,576 6 0
1903	48,000	..	..	960 0 0	960 0 0
	£2,044,644	£155,332 8 0	£4,659 19 5	£40,892 17 7	£200,885 5 0
			£45,552 17 0		

The next item—viz., the amount of Parliamentary expenses written off—is a proportion of the cost of obtaining our numerous Acts. At one time this expenditure remained in the Capital Account, and was extinguished simply through the operation of the Sinking Fund. It is now provided, however, that all these costs shall be wiped out, if paid out of borrowed money, in five years.

The last and largest item charged against net revenue—viz., £139,446 14s., to meet renewals and depreciation—is one that is jeered at by many municipalities. This sum is made up of the following items :—

		£	s	d
Permanent Way at £450 per single mile		60,827	5	5
Electrical Equipment of Line ..	3·09%	16,999	10	11
Buildings and Fixtures	2½%	11,159	16	2
Powers Station, &c., Plant	5%	19,277	17	9
Workshop Tools	7½%	1,385	11	4
Cars	7½%	15,383	12	2
Electrical Equipment of Cars ..	7½%	12,828	4	8
Miscellaneous Equipment	5·81%	1,241	14	5
Furniture	7½%	343	1	2
Total		£139,446	14	0

Many of you have no doubt followed the discussion which has been carried on for the past two years on the question of Sinking Fund and Depreciation. Many authorities contend that if a municipality pays off its debt by means of a Sinking Fund it is not necessary to lay aside any sum for the renewal of the track, or to meet the depreciation which is taking place from year to year in the plant and equipment. They contend that, if in the future any part of the undertaking requires to be renewed, the municipality can reborrow to the extent that the original debt has been repaid. Another set of authorities contend that if a municipality charges revenue annually with a sum to meet renewals and depreciation, it is not necessary, if this sum is greater than the annual Sinking Fund, to charge Sinking Fund, but the proper course is to

take the Sinking Fund out of the amount set aside to meet renewals and depreciation. A third set of authorities contend that it is necessary, first of all, to make ample provision annually out of revenue to meet renewals and depreciation, and, in addition, to meet the annual Sinking Fund charge. As you will see from the accounts, this is what we have always done in Glasgow. From my experience of electric traction equipment, I believe we have not set aside too much. I think every municipality should look forward to a time when its undertakings will be entirely free of debt. This can never be the case where it is the intention to reborrow for renewals.

The amount carried to the Appropriation Account is, you will observe, £105,790 10s. 3d. This is the net available profit on the undertaking. How is this disposed of? (1) In handing over £25,000 to the Common Good; (2) in writing down various items in the Capital Expenditure Account by £62,000; and (3) by carrying the balance of £18,790 10s. 3d. to Reserve Fund.

A very important question for tramway undertakings has arisen since the introduction of electric traction—viz., valuation and taxation. I pointed out to you, when dealing with the various items of expenditure, that last year we paid in local taxes the sum of £34,916 9s. 3d. This current year we have paid a very much larger sum; the exact amount has, however, not yet been quite adjusted. The following statement will show you how our valuation and the taxes have increased since 1894 :—

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Year	Amount of Valuation	Amount of Taxes Paid						
		Municipal Rates (Glasgow)	Municipal Rates (adjacent Burghs)	County Rates	Poor and School Rates	Sundries	Total
	£	£	£	£	£	£	£
1894-1895	18,000	1,044	216	26	1,133	66	2,485
1895-1896	20,571	1,266	259	39	1,401	106	3,065
1896-1897	55,301	2,757	491	90	3,893	253	7,484
1897-1898	68,710	3,121	635	208	4,662	307	8,933
1898-1899	55,686	2,764	527	43	3,541	232	7,107
1899-1900	74,437	3,667	607	194	5,127	256	9,871
1900-1901	90,084	5,219	666	95	7,166	349	13,495
1901-1902	84,438	6,029	805	202	7,012	350	15,298
1902-1903	90,486	6,296	864	787	7,640	479	16,666
1903-1904	228,350	12,752	1,583	3,302	16,554	715	34,916
1904-1905	245,464	13,562	1,715	4,241	18,052	746	38,316
1905-1906	260,964						

1905-1906 263,227

Tramways in Scotland are valued by the Assessor of Railways and Canals, who is appointed by Government under the Lands Valuation Acts. All other subjects are, of course, valued by the local assessor. It is quite different in the case of tramways and railways in England, where each parish makes its own valuation for the portion of line within its own territory. In Scotland a railway company or a tramway undertaking, no matter through how many counties, burghs, or parishes the line may pass, has only to deal with one individual. This must result in a great saving of trouble and expense as compared with the English system.

From the above statement you will observe that the valuation for the last year of horse traction was £90,486, and for the first year of electric traction £228,350. For the second year of electric traction the figure had increased to £245,464, and for next year we will pay taxes on a valuation of £260,964.

It might be of interest to you to look for a moment at the method adopted to bring out the above valuation. In the case where you have a tenant paying an annual rent to a proprietor no question arises as to the valuation, as the rent is taken as the annual value of the subject. I think the only instance in Scotland where a tramway is leased to a company is the Edinburgh system. The Edinburgh Corporation own the tramway system and lease it to the Edinburgh and District Tramway Co., who require to pay a rent of something like 7 per cent. on the capital expenditure, which makes the rental about £90,000 per annum. The assessor simply takes this rental as the annual value of the undertaking for assessment. In the case of Glasgow, however, and the other Corporations owning and working their own tramway systems a tenant is assumed, and the question to be decided is what rental would the supposed tenant pay for the use of the rails, buildings, machinery, &c. The undernoted figures give you the details of how the valuation of the Glasgow system for the assessment year 1905-6 has been arrived at. The figures are based on the report for the year 1903-4.

Valuation 1905–6.

Abstract of Accounts for year to 31st May 1904, on which the Valuation for 1905–6 is founded.

	£ s d	£ s d
Revenue	..	722,724 0 0
Deduct :—		
Power Expenses	20,293 0 0	
Traffic "	197,362 0 0	
General " (*less* £33,943 disallowed)	36,838 0 0	
Repairs (*less* £21,312 ")	47,072 0 0	
One-Half Permanent Way and Electric Equipment Renewal	48,048 0 0	
Depreciation of Tenant's Plant ..	31,072 0 0	
Occupier's Income Tax	2,517 0 0	
		383,202 0 0
Net Revenue	..	339,522 0 0
Deduct :—Tenant's Allowances :—		
12% for Tenant's Profits		
5% for Interest		
6% for Accidents, Law Charges, &c.		
23% on £316,328 being 75% of Tenant's Working Stock and Plant ..	72,755 0 0	
10% for Interest and Deterioration on £61,782, value of Stores (excluding Fixed Plant Spares, and Permanent Way Stores) ..	6,178 0 0	
5% for Interest on £5,000 for Floating Capital	250 0 0	
		79,183 0 0
		260,339 0 0
Add :—For Extensions to be opened shortly		625 0 0
		£260,964 0 0

I mentioned that we paid last year local taxes amounting to £34,916, and this year the amount will exceed £38,300. These taxes include the Glasgow municipal rates and also the municipal rates in the Burghs of Govan, Partick, Kinning Park, Rutherglen, Renfrew, Pollokshaws, Paisley, and Clydebank. They also include the county rates for Lanarkshire, Renfrewshire, and Dumbartonshire, and the parish rates for the parishes of Glasgow, Govan, Cathcart, Renfrew, Paisley, Eastwood, Cadder, Rutherglen, Cambuslang, and Old Kilpatrick.

The amount paid last year is made up as under :—

Municipal Rates.

	£ s d	£ s d
Burgh of Glasgow ..	12,762 0 0	
,, Govan ..	457 0 0	
,, Partick ..	385 0 0	
,, Kinning Park	336 0 0	
,, Pollokshaws	179 0 3	
,, Rutherglen	116 0 0	
,, Clydebank	78 0 0	
,, Renfrew ..	32 0 0	
		14,345 0 0

Poor and School Rates.

Parish of Glasgow ..	9,141 0 0	
,, Rutherglen	603 0 0	
,, Eastwood ..	479 0 0	
,, Renfrew ..	404 0 0	
,, Cathcart ..	390 0 0	
,, Paisley ..	247 0 0	
,, Cadder ..	54 0 0	
,, Govan ..	4,827 0 0	
,, Old Kilpatrick	206 0 0	
,, Shettleston	203 0 0	
		16,554 0 0

County Rates.

County of Lanark ..	1,983 0 0	
,, Renfrew ..	1,198 0 0	
,, Dumbarton	121 0 0	
		3,302 0 0

Sundries.

Water Rates	715 0 0
Total	£34916 0 0

In the burghs the local rates are levied on the gross valuation of the buildings, which is 5 per cent. on the original cost. The lines, however, are only assessed at one-fourth of their value. In the counties the rates are levied on the gross valuation of both buildings and lines. Of course

there are practically no buildings in the county areas, as our stations and depôts are nearly all situated in the city. From the parish authorities we get, under the provisions of the Poor Law Act of 1845, an abatement to cover the owner's expenses in maintaining the subject, and for owner's taxes and insurance. Up till last year this abatement varied from 12½ to 35 per cent., the larger parishes allowing 20 per cent., this being also the rate of abatement given in the case of house property. We were, however, not satisfied with the abatement given, as we considered that the rate was insufficient for an electric tramway undertaking. The whole question was ultimately referred to arbitration. The arbiter decided that we were entitled to a deduction of 36 per cent. on the gross valuation, which meant an annual saving to the department of about £3,900.

There is still the question of income tax on the profits. The assessment for income tax is made on the average profits for the three years immediately preceding the year of assessment. That is to say, the assessment for the year ending April 1905 is made up by taking the average profits for the three years ending May 1903. The method adopted in bringing out the profits is exceedingly simple, as will be seen from the following statement, which gives the assessment for the current year.

INCOME TAX.—Year of Assessment, 1904-5.

Year to 31st May 1903.

	£ s d	£ s d	£ s d
Gross Revenue			656,572 0 0
Less Rents (On which Tax has been paid)		965 0 0	
„ Interest		263 0 0	
			1,228 0 0
			655,344 0 0
„ Working Expenses		306,220 0 0	
Less Feu Duties and Teinds (Tax deducted)	1,056 0 0		
„ Municipal Buildings, over-charge	399 0 0		
„ Parliamentary Expenses	323 0 0		
„ Property and Income Tax	1,519 0 0		
		3,297 0 0	
			302,923 0 0
Net Profit for Year, to 31st May 1903			352,421 0 0
„ „ „ 1902			346,057 0 0
„ „ „ 1901			87,699 0 0
Net Profit for three years			766,177 0 0
Average per year			255,392 0 0
Deduct Depreciation for year to 31st May 1904			43,914 0 0
			£206,478 0 0
		@ 1/- per £	£10,323 18 0

The practice in regard to depreciation is to take the figures for the year of assessment, not the average of the three years immediately preceding the year of assessment, as is done in bringing out the profits. You will notice that the average profits assessable for income tax for this year amounted to £255,392. After deducting the depreciation allowance the amount is reduced to £206,478. This sum at 1s. per £ of tax yields £10,324. It should be observed, however, that in paying our interest on borrowed capital we deducted income tax to the extent of £2,991. This sum we retained. The net amount, therefore, which falls to be charged to revenue for income tax is only £7,333.

I do not know that there is much more that I should say, except to close with a word on the Balance Sheet. Indeed, I had almost forgotten to touch on this part of the account. Perhaps, however, it will come in all right as a closing paragraph.

This Balance Sheet is stated on the standard form, and the figures given are as at 31st May 1904.

The figures, I think, are clearly stated and speak for themselves. They show conclusively that the tramways department is in a thoroughly sound financial condition. I would simply impress upon you the fact that there is nothing stated here as an asset which does not exist. If any part of the plant and equipment ceases to exist and is not replaced out of revenue, it is entirely written off. The large sum on the liabilities' side of the Balance Sheet in the Renewal and Depreciation Account is the sum available for replacing the track, plant, and equipment as it stands to-day. The value of the undertaking, apart altogether, of course, from its revenue-earning capacity, is the amount put down as the original cost—viz., £2,498,306, less the sum of £583,432 in the Renewal and Depreciation Account. This means that the equipment is either in its original perfect condition, or that we have funds available and provided out of revenue to put it into that condition when the time comes. In addition to making that provision, we are, of course, as I pointed out

BALANCE SHEET as at 31st May 1904.

Liabilities.	£	*Property, Assets, and Outlay.*	Expenditure: To 31 May 1903	Expenditure: During Year	Total
			£	£	£
Loans:—					
Corporation of Glasgow	1,830,894	Cost of Existing Works, &c. ..	2,372,790	125,516	2,498,306
Sinking Fund	200,885				
Renewal and Depreciation Funds	583,432				
General Reserve Fund	33,068	Investments:—			
Sundry Creditors	45,314	Temporary Loans			70,000
Friendly Society	2,069	Stores			94,371
Car Tokens	543	Sundry Debtors			17,041
Security from Contractors	500	Unexpired Licences			338
		Cash			16,589
	£2,696,645				£2,696,645

previously, redeeming our debt by means of the Sinking Fund. You will notice that we have also a considerable Reserve Fund, which at present amounts to £33,008 0s. 1d. We have thus a very useful fund, and it is one which will be very largely drawn upon, and, so far as I can see, will be required for many years to come. Electricity, as you know, is still in its infancy; indeed, the electrical engineer is one of the terrors of a tramway manager's existence. Every month he would like to introduce something new; his capacity for spending money is wonderful. We are, therefore, very happily situated when we have a few thousand pounds in the Reserve Fund.

Gentlemen, I have to thank you for listening so patiently to this very rambling talk on the tramway finances. Of course, you know that I am not an accountant now, and for that reason you will, no doubt, excuse my shortcomings in dealing with this subject. A tramway manager has so very many matters to take up his attenion that he is only allowed a very few minutes per day to fix his mind on any particular branch of his business. He has to consider problems in civil engineering, mechanical engineering, and electrical engineering every day. He has also his traffic matters, financial matters, and labour questions arising daily, and also legal matters regularly to deal with. It has, therefore, not been very easy for me to satisfy you in regard to the treatment of this subject. If I have been able to give you any information on the points before us which may be of interest I shall be quite satisfied, although I feel that I have quite failed to present the subject to you as it might have been had it been in other hands.

Date Due

END OF
TITLE